

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OPIC-03 XMB-02

AID-05 IGA-02 CIAE-00 INR-07 NSAE-00 /033 W

----- 061205

R 050905Z FEB 76

FM AMEMQMOY KHARTOUM

TO SECSTATE WASHDC 1071

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E.O. 11652: N/A

TAGS: EFIN, SU, US

SUBJECT: KH CEMENT PLANT PROJECT

REF: KHARTOUM 0330

1. LAST EVENING (FEB 4) AMBASSADOJ HAD OPPORTUNITY FOR EXTENDED DISCUSSION SUBJECT PROJECT WITH MININDUSTRY BADR AL-DIN SULIMAN (DETAILED MEMCON BEING POUCHED). SULIMAN'S MAIN POINTS WERE THAT HE HAD GRANTED ORIGINAL LICENSE AGAINST HIS BETTER JUDGMENT AND ONLY BECAUSE HE HAD BEEN ASSURED BY KH THAT OPERATIONS COULD COMMENCE WITHIN SIX MONTHS. NOTHING HAD BEEN DONE. MOREOVER, KH HAD PROPOSED \$55 A TON TO THE CONCESSIONARY PRICE OF ANNUAL GOS ENTITLEMENT OF 100,000 TONS CEMENT. SULIMAN CLAIMED AN APPROPRIATE FIGURE WOULD HAVE BEEN APPROXIMATELY 1/2 THAT AMOUNT, ASSERTING THAT OPERATION WITH SUCH HIGH COST CEMENT COULD NOT SELL A SACK IN MID-EAST AREA. SULIMAN CLAIMED KH REPS HAD HAD MEETING WITH NIMEIRI DAY OR SO AGO AT WHICH NIMEIRI HAD PRESSED COMPANY TO REVISE ITS PRICING ARRANGEMENTS AND KH HAD UNDERTAKEN TO REVIEW MATTER. SULIMAN THOUGHT GROUP SCHEDULED SEE HIM FEB 5 FOR DETAILED DISCUSSIONS.

2. SULIMAN SAID OTHER VENTURES WITH AMERICAN FIRMS GOING AHEAD WELL AND HE HOPED KH PROBLEM WOULD NOT INTERFERE WITH SUCH MOUNTING INTEREST. AMBASSADOR SAID IT WAS PRECISELY
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ON THAT GROUND THAT HE WISHED EXPRESS CONCERN. SINCE VALID
LICENSE HAD BEEN ISSUED AND KH GIVEN ENCOURAGEMENT TO
MOVE FORWARD, IT WOULD BE DIFFICULT EXPLAIN SUDDEN
SWITCH IN SIGNALS TO OTHER AMERICANS INTERESTED IN POSSIBLE
BUSINESS HERE. NOTING THERE APPEARED BE
MISUNDERSTANDINGS ON BOTH SIDES, AMBASSADOR CONCLUDED
THAT HE WAS PLEASED SULIMAN WOULD DISCUSS ISSUE WITH GROUP
AGAIN AND HOPED THAT MUTUALLY ACCEPTABLE ARRANGEMENTS COULD
STILL BE REACHED.

3. COMMENT. CONVERSATIONS WITH CONTROVERSIAL MININDUSTRY
PARTAKE MORE OF CHARACTER OF HARANGUE THAN DIALOGUE. SULIMAN
SPOKE AS IF HE RETAINED NIMEIRI'S FULL CONFIDENCE BUT HIS
WILLINGNESS RECEIVE GROUP AGAIN SUGGESTS THAT SOME COMPROMISE MAY
STILL BE FEASIBLE. WE REMAINING IN CLOSE TOUCH WITH FIRM BUT
INCREASINGLY CONVINCED THAT, ON KEY QUESTION OF FINANCING,
KH CANNOT EXPECT ANY SPECIAL GOS SUPPORT. BREWER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CEMENT, INDUSTRIAL PLANTS, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KHARTO00348
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760044-0095
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760280/aaaacrwo.tel
Line Count: 78
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 KHARTOUM 330
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUL 2004 by ElyME>; APPROVED <02 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KH CEMENT PLANT PROJECT
TAGS: EFIN, SU, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006